



## CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Authorization to Retain Professional Services for Unbundled Cost of Service Analysis (\$50,000)

**MEETING DATE:** November 17, 1999

**PREPARED BY:** Electric Utility Director

**RECOMMENDED ACTION:** That the City Council authorize request for quotations for an unbundled cost of service study analysis not to exceed \$50,000 in support of Open Access.

**BACKGROUND INFORMATION:** A key element of being able to offer City of Lodi electric customers a choice of electric energy providers is knowing cost causation factors for the various customer classes. This analysis will assist the Department in the development of new electric rate schedules with appropriate Competitive Transition Charge (CTC) in order to ensure that the CTC is maintained only long enough for the City to recoup its stranded investment in electric generating plants.

The results will enable the Department to conduct periodic reviews of its costs of service and recommend electric rate schedule and CTC adjustments in a timely manner. A sample Scope of Services for this analysis is attached for reference.

**FUNDING:** Electric Utility Funds 160 \$50,000

**FUNDING AVAILABLE:** Vicky McAthie  
Vicky McAthie, Finance Director

Alan N. Vallow  
Alan N. Vallow  
Electric Utility Director

**PREPARED BY:** Jack Stone, Manager, Business Planning and Marketing

ANV/JLS/lst

C: City Attorney  
Manager, Rates and Resources

**APPROVED:**

H. Dixon Flynn  
H. Dixon Flynn - City Manager

**CITY OF LODI  
ELECTRIC UTILITY DEPARTMENT  
REQUEST FOR QUOTATIONS  
FOR AN UNBUNDLED COST OF SERVICE ANALYSIS**

**SCOPE OF SERVICES**

The City of Lodi Electric Utility Department is seeking consulting support to analyze and unbundle costs and rates for its retail electric services. The unbundled costs and rates will include generation, transmission, distribution, and revenue cycle services such as metering, billing, and customer service, as well as public purpose programs and competition transition charges (CTC).

It is proposed that the selected consultant will perform the scope of services by completing a series of thoughtfully laid out tasks and sub-tasks. These tasks will include the following:

**Task 1 - Perform an Unbundled Cost-of-Service Analysis**

- Meet with Electric Utility Department staff and determine the full scope of electric service activities to be analyzed in the cost-of-service model. This discussion will focus on market segmentation issues, current electric service rate schedules, market competitiveness issues, and other strategic initiatives that either staff or the consultant deems to be of value. These strategic issues will then be incorporated into the unbundled cost model, which will assist with rate design direction.
- Review Lodi Electric Utility historical and budgeted operational and rate base cost information. This important step will accumulate the necessary information required to categorize operational and rate base costs into functional cost components.
- Assist in preparing a forecast of budget line item operational expenses and rate base expenses for the fiscal years 2000 through 2002.
- Assign the forecast cost and rate base information by Federal Energy Regulatory Commission (FERC) accounts and unbundled functional components. Department staff and other support staff will assist the consultant in determining the appropriate allocation of costs to match FERC reporting requirements.
- Accumulate specific historic and projected load information for each class of service. Included in this information will be load profile data the City of Lodi Electric Utility Department uses to develop load allocation factors by class of service.
- Incorporate load and cost information into a City of Lodi Electric Utility Department cost-of-service spreadsheet analysis. The unbundled cost analysis will incorporate the options and functions discussed above. The basic unbundled functions will include generation, transmission, distribution, and revenue cycles services. Additionally, the unbundled cost-of-service analysis should have the ability to determine voltage level cost distinctions

between rate classes along with seasonal cost variations. On-peak and off-peak cost differences should also be considered in the development of the analysis.

- Review with City of Lodi Electric Utility Department staff the unbundled cost-of-service analysis and results and incorporate any changes before proceeding to Task 2.

#### **Task 2 – Developing and Incorporating a Cost-of-Service Model**

- The selected consultant will develop the cost of service and rate design analysis program and/or spreadsheet using an Excel spreadsheet format, and will provide Lodi staff with a copy of any analysis, models, programs or related information and documentation after the conclusion of the service contract arrangement.